

**Town of Jonesboro
Jonesboro, Louisiana
Annual Financial Report
As of and for the Year Ended June 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/11/11

**Town of Jonesboro
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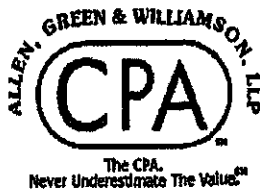
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(Concluded)



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INDEPENDENT AUDITORS' REPORT

Honorable Leslie Thompson, Mayor,
and Members of the Board of Aldermen
Town of Jonesboro
Jonesboro, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town did not maintain adequate records of receipts and disbursements, properly reconcile bank accounts or accounts receivable or payable, nor were all transactions entered into the accounting records. The Town's records did not permit the application of adequate auditing procedures.

Because of the scope limitation described above we are unable to express, and do not express, an opinion on the Town's financial statements as listed in the table of contents.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.

The information identified in the table of contents as other information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information has not been subjected to the auditing procedures applied in the engagement to audit the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2011

REQUIRED SUPPLEMENTAL INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

Our discussion and analysis of the Town of Jonesboro's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$402,888 and business-type activities reported an increase of \$505,685. The governmental activities revenue increased mainly due to Capital Grants and Contributions. Governmental expenditures increased due to increase in expenditures, Public Safety and Public Works.

Business-type activities revenue increased mainly due to Capital Grants and Contributions.

Business-type expenses increased due to increase expenditure in Utility Fund.

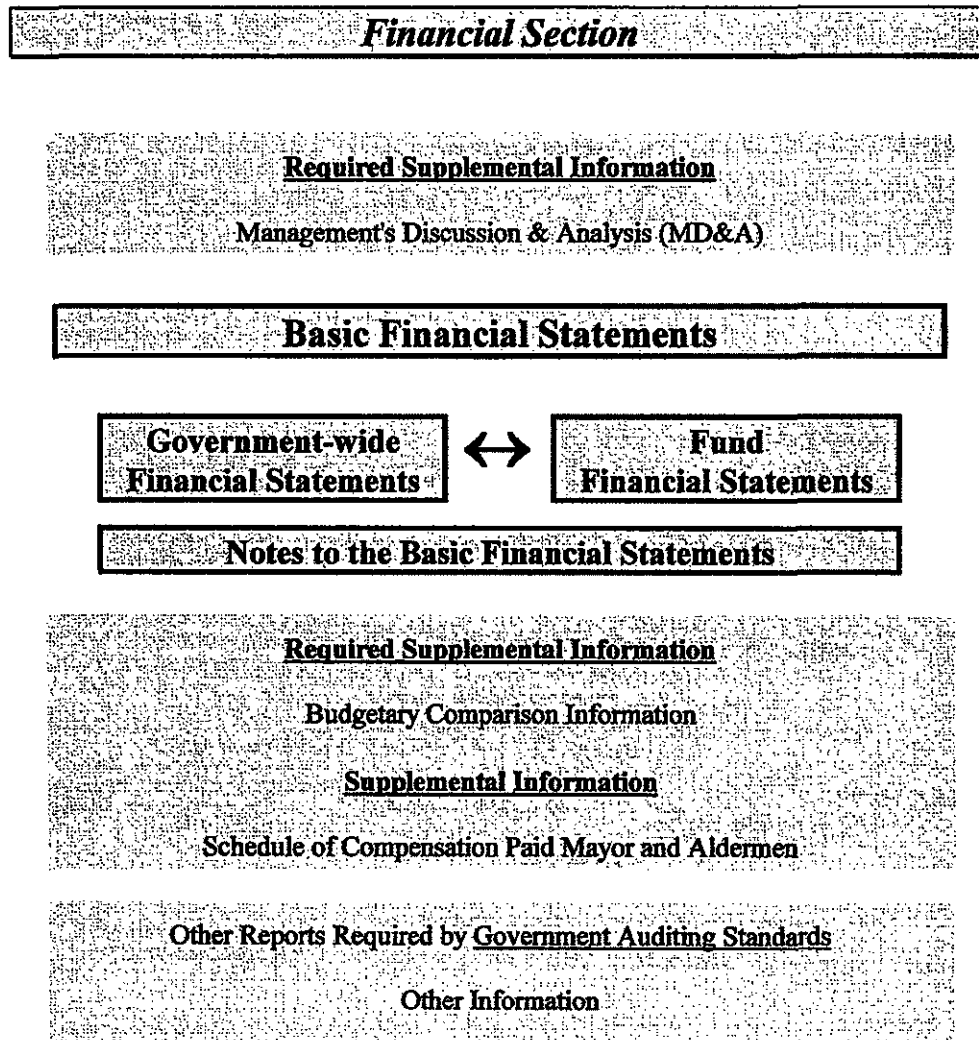
Total spending for our governmental activities was \$3,241,545. Most of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general government of \$255,864, public safety of \$1,250,785, the public works department of \$505,668 and \$4,727 in interest expense.

USING THIS ANNUAL REPORT

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds: the General Fund, Fire Dept. Ad Valorem Tax, Street Ad Valorem Tax, Street Sales Tax, and the Utility Enterprise Fund.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

The following chart reflects the information included in this annual report.



Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets - as reported in the Statement of Activities - are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the Town's *operating results*. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police and fire protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental Activities - Most of the Town's basic services are reported here, including the police, fire, street and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town's fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches:

Governmental funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliations (Statements D and F).

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets
June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$1,287,571	\$1,496,984	\$ 508,872	\$ 487,988	\$1,796,443	\$1,984,972
Restricted assets	-	-	112,903	111,199	112,903	111,199
Capital assets	1,702,202	989,263	7,500,426	6,912,618	9,202,628	7,901,881
Total assets	2,989,773	2,486,247	8,122,201	7,511,805	11,111,974	9,998,052
Current and other liabilities	267,130	153,543	259,256	68,828	526,386	222,371
Liabilities payable from restricted assets	-	-	111,935	111,146	111,935	111,146
Long-term liabilities	90,807	103,756	3,002,573	3,089,079	3,093,380	3,192,835
Total Liabilities	357,937	257,299	3,373,764	3,269,053	3,731,701	3,526,352
Net assets						
Invested in capital assets, net of related debt	1,636,369	909,083	4,500,808	3,824,429	6,137,177	4,733,512
Restricted	843,002	961,400	-	-	843,002	961,400
Unrestricted	152,465	358,465	247,629	418,323	400,094	776,788
Total net assets	\$2,631,836	\$2,228,948	\$ 4,748,437	\$ 4,242,752	\$7,380,273	\$6,471,700

Net assets of the Town's governmental activities increased by 18% (\$2,631,836 compared to \$2,228,948 in 2009). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$152,465 at the end of this year.

The net assets of our business-type activities increased by 11% (\$4,748,437 compared to \$4,242,752 in 2009).

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

Table 2
Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 415,615	\$ 419,668	\$1,074,855	\$1,089,585	\$1,490,470	\$1,509,253
Operating grants and contributions	-	146,277	-	-	-	146,277
Capital grants and contributions	808,886	-	584,094	-	1,392,980	-
General revenues						
Property taxes	280,047	267,005	-	-	280,047	267,005
Sales tax	1,698,616	1,710,993	-	-	1,698,616	1,710,993
Franchise tax	105,695	117,275	-	-	105,695	117,275
Intergovernmental	91,380	44,703	-	112,900	91,380	157,603
Other Taxes	7,524	3,652	-	-	7,524	3,652
Licenses and permits	109,468	105,873	-	-	109,468	105,873
Earnings on investments	8,247	14,462	6,043	6,804	14,290	21,266
Miscellaneous	118,955	69,327	-	-	118,955	69,327
Total Revenues	3,644,433	2,899,235	1,664,992	1,209,289	5,309,425	4,108,524
Functions/Program Expenses:						
Governmental Activities						
General government	638,180	593,602	-	-	638,180	593,602
Public safety	1,284,084	1,128,494	-	-	1,284,084	1,128,494
Public works	1,314,554	1,118,174	-	-	1,314,554	1,118,174
Interest Expense	4,727	4,118	-	-	4,727	4,118
Business-type Activities						
Utility Enterprise	-	-	1,159,307	1,020,669	1,159,307	1,020,669
Total Functions/Program Expenses	3,241,545	2,844,388	1,159,307	1,020,669	4,400,852	3,865,057
Increase (decrease) in net assets	402,888	54,847	505,685	188,620	908,573	243,467
Transfers	-	(4,845)	-	4,845	-	-
Change in net assets	402,888	50,002	505,685	193,465	908,573	243,467
Net assets - beginning	2,228,948	2,178,946	4,242,752	4,049,287	6,471,700	6,228,233
Net assets, ending	\$2,631,836	\$2,228,948	\$4,748,437	\$4,242,752	\$7,380,273	\$6,471,700

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

Governmental Activities

The cost of all governmental activities this year was \$3,241,545, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$2,017,044 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the Town's governmental activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities
For the Years Ended June 30, 2010 and 2009

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2010	2009	2010	2009
Governmental Activities				
General government	\$ 638,180	\$ 593,602	\$ 255,864	\$ 92,675
Public safety	1,284,084	1,128,494	1,250,785	1,063,476
Public works	1,314,554	1,118,174	505,668	1,118,174
Interest expense	4,727	4,118	4,727	4,118
Total Functions/Program Expenses	<u><u>\$ 3,241,545</u></u>	<u><u>\$ 2,844,388</u></u>	<u><u>\$ 2,017,044</u></u>	<u><u>\$2,278,443</u></u>

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 37% (\$1,664,992 compared to \$1,209,289 in 2009) and expenses increased by 13%. The factors driving these results include monies from Capital Grants and Contributions and the expenses increased due to increase to Utility Funds.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$1,023,866 which is a decrease of \$319,575 in fund balance from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget was not amended during the year. Actual expenditures of \$3,155,122 exceeded budgeted expenditures of \$2,851,080 due to increase to out flow in Public Safety and Public Works.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2010

CAPITAL ASSET

Capital Assets At June 30, 2010 and 2009, the Town had invested in the following capital assets:

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Capital Assets Not Depreciated				
Land	\$ 148,177	\$ 148,177	\$ -	\$ -
Construction in progress	259,810	88,625	254,907	180,908
Total Nondepreciated Assets	407,987	236,802	254,907	180,908
Depreciable Capital Assets				
Land Improvements	550,334	5,002	-	-
Buildings & Building Improvements	325,755	343,901	78,330	80,706
Furniture and equipment	250,706	201,150	760,971	829,731
Vehicles	167,420	202,406	-	-
Water System	-	-	3,916,327	3,813,475
Sewer System	-	-	2,489,891	2,007,798
Total Depreciated Assets	1,294,215	752,459	7,245,519	6,731,710
Total Capital Assets	\$1,702,202	\$ 989,261	\$7,500,426	\$6,912,618

Additional information on capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

DEBT ADMINISTRATION Utility revenue bonds in the amount of \$2,300,000 were issued by the USDA and are being repaid over a forty-year period. The remaining bond payable for the Utility Revenue Bonds at June 30, 2010 was \$2,290,847. The funds were used to finance the cost of the construction of extensions, improvements, and additions to the existing waterworks system of the Town. Additional information on long-term debt can be found in Note 8 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our franchise, ad valorem, sales, and other assorted tax collections. Approximately 37% of total revenues in the general fund are franchise, sales, and ad valorem tax. We have the budgeted \$64,876 at 19% change in taxes for the budget year ending June 30, 2011.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mayor Leslie Thompson., at the Town of Jonesboro, P. O. Box 610, Jonesboro, Louisiana 71251, telephone number (318) 259-2385.

Town of Jonesboro

BASIC FINANCIAL STATEMENTS:

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

Town of Jonesboro

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TOWN OF JONESBORO
STATEMENT OF NET ASSETS
June 30, 2010

Statement A

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 925,322	\$ 84,475	\$ 1,009,797
Taxes receivable	149,953	0	149,953
Receivables, net	142,872	356,605	499,477
Accounts receivable - Franchise	9,678	0	9,678
Internal balances	0	0	0
Inventory	0	55,851	55,851
Prepaid insurance	59,746	11,941	71,687
Restricted assets - deposits	0	112,903	112,903
Capital assets, net of accumulated depreciation	<u>1,702,202</u>	<u>7,500,426</u>	<u>9,202,628</u>
TOTAL ASSETS	<u>2,989,773</u>	<u>8,122,201</u>	<u>11,111,974</u>
LIABILITIES			
Accounts, salaries and other payables	267,130	259,256	526,386
Interest payable	0	0	0
Payable from restricted assets - meter deposits	0	111,935	111,935
Long term liabilities			
Due within one year	37,376	105,735	143,111
Due in more than one year	<u>53,431</u>	<u>2,896,838</u>	<u>2,950,269</u>
TOTAL LIABILITIES	<u>357,937</u>	<u>3,373,764</u>	<u>3,731,701</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,636,369	4,500,808	6,137,177
Restricted for:			
Public Safety - Fire	50,827	0	50,827
Street Maintenance	742,412	0	742,412
Street Maintenance Ad Valorem	49,763	0	49,763
Unrestricted	<u>152,465</u>	<u>247,629</u>	<u>400,094</u>
TOTAL NET ASSETS	<u>\$ 2,831,836</u>	<u>\$ 4,748,437</u>	<u>\$ 7,380,273</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General government	\$ 638,180	\$ 382,316	\$ 0	0
Public safety	1,284,084	33,299		
Public works	1,314,554	0		808,886
Interest expense	4,727	0		
Total Governmental Activities	3,241,545	415,615	0	808,886
Business-Type Activities:				
Water and Sewer	1,159,307	1,074,855	0	584,094
Total Business-Type Activities	1,159,307	1,074,855	0	584,094
Total	\$ 4,400,852	\$ 1,490,470	\$ 0	\$ 1,392,980

General revenues:

Taxes:

Property taxes

Franchise tax

Sales tax revenue

Other taxes for general purposes

Licenses and permits

Earnings on investments

Intergovernmental

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement B

PRIMARY GOVERNMENT		
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
Governmental Activities	Business-Type Activities	TOTAL
\$ (255,864)	\$ 0	\$ (255,864)
(1,250,785)		(1,250,785)
(505,668)		(505,668)
(4,727)	0	(4,727)
(2,017,044)	0	(2,017,044)
	499,642	499,642
	499,642	499,642
\$ (2,017,044)	\$ 499,642	\$ (1,517,402)
280,047	0	280,047
105,695	0	105,695
1,698,616	0	1,698,616
7,524	0	7,524
109,468	0	109,468
8,247	6,043	14,290
91,380	0	91,380
118,955	0	118,955
0	0	0
2,419,932	6,043	2,425,975
402,888	505,685	908,573
2,228,948	4,242,752	6,471,700
\$ 2,631,836	\$ 4,748,437	\$ 7,380,273

Town of Jonesboro

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Town of Jonesboro

BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)

TOWN OF JONESBORO

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2010

	<u>GENERAL</u>	<u>FIRE DEPT AD VALOREM TAX</u>	<u>STREET AD VALOREM TAX</u>
ASSETS			
Cash and cash equivalents	\$ 160,859	\$ 49,225	\$ 48,161
Taxes receivable	75,039	1,602	1,602
Receivables, net	142,872	0	0
Accounts receivable - franchise	9,678	0	0
Interfund receivables	0	0	0
Prepaid insurance	<u>59,746</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>447,994</u>	<u>50,827</u>	<u>49,763</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts, salaries and other payables	267,130	0	0
Other liabilities	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>267,130</u>	<u>0</u>	<u>0</u>
FUND BALANCES:			
Reserved for prepaid items	59,746	0	0
Unreserved and undesignated, reported in			
General fund	121,118	0	0
Special Revenue	0	50,827	49,763
Capital Project	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>180,864</u>	<u>50,827</u>	<u>49,763</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 447,994</u>	<u>\$ 50,827</u>	<u>\$ 49,763</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement C

STREET		
SALES TAX		TOTAL
\$ 670,702	\$	928,747
71,710		149,953
0		142,872
0		9,678
0		0
0		59,746
<u>742,412</u>		<u>1,290,996</u>
0		267,130
<u>0</u>		<u>0</u>
<u>0</u>		<u>267,130</u>
0		59,746
0		121,118
742,412		843,002
<u>0</u>		<u>0</u>
<u>742,412</u>		<u>1,023,866</u>
\$ 742,412	\$	1,290,996

Town of Jonesboro

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TOWN OF JONESBORO

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2010**

Statement D

Total fund balances - governmental funds \$ 1,023,866

The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	4,730,026	
Depreciation expense to date	<u>(3,031,249)</u>	
		1,698,777

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2010 are:

Long-term liabilities

Capital lease payable	(65,833)	
Compensated absences payable	<u>(24,974)</u>	
		<u>(90,807)</u>

Net Assets \$ 2,631,836

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO

GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2010

	GENERAL	FIRE DEPT AD VALOREM TAX	STREET AD VALOREM TAX
REVENUES			
Taxes:			
Ad valorem	\$ 116,247	\$ 81,905	\$ 81,895
Franchise	105,695	0	0
Sales tax	849,308	0	0
Other taxes	7,524	0	0
Licenses and permits	109,468	0	0
Fines, forfeitures and court costs	33,299	0	0
Intergovernmental revenues	91,380	0	0
Fees and charges for services	382,316	0	0
Rents and royalties	23,537	0	0
Earnings on investments	3,753	390	82
State revenue	222,576	0	0
Federal revenue	586,310	0	0
Miscellaneous revenues	95,418	0	0
Total revenues	<u>2,626,831</u>	<u>82,295</u>	<u>81,977</u>
EXPENDITURES			
Current:			
General government	614,880	0	0
Public Safety	1,201,084	0	0
Public Works	1,293,865	0	0
Capital outlay	835,105	0	0
Debt service:			
Principal	14,347	0	0
Interest	4,727	0	0
Total expenditures	<u>3,964,008</u>	<u>0</u>	<u>0</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(1,337,177)</u>	<u>82,295</u>	<u>81,977</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,136,000	0	0
Transfers out	0	(68,000)	(68,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,136,000</u>	<u>(68,000)</u>	<u>(68,000)</u>
NET CHANGE IN FUND BALANCES	<u>(201,177)</u>	<u>14,295</u>	<u>13,977</u>
FUND BALANCES - BEGINNING	<u>382,041</u>	<u>36,532</u>	<u>35,786</u>
FUND BALANCES - ENDING	<u>\$ 180,864</u>	<u>\$ 50,827</u>	<u>\$ 49,763</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E

STREET SALES TAX	TOTAL
\$ 0	\$ 280,047
0	105,695
849,308	1,698,616
0	7,524
0	109,468
0	33,299
0	91,380
0	382,316
0	23,537
4,022	8,247
0	222,576
0	586,310
0	95,418
<u>853,330</u>	<u>3,644,433</u>
0	614,880
0	1,201,084
0	1,293,885
0	835,105
0	14,347
0	4,727
<u>0</u>	<u>3,964,008</u>
<u>853,330</u>	<u>(319,575)</u>
0	1,136,000
<u>(1,000,000)</u>	<u>(1,136,000)</u>
<u>(1,000,000)</u>	<u>0</u>
(146,670)	(319,575)
<u>889,082</u>	<u>1,343,441</u>
<u>\$ 742,412</u>	<u>\$ 1,023,866</u>

TOWN OF JONESBORO

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2010**

Statement F

Total net change in fund balances - governmental funds \$ (319,575)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period:

Capital outlay	843,468	
Depreciation expense	<u>(133,954)</u>	709,514

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 14,347

In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned \$32,536 exceeded the amounts used (\$31,138) by \$1,398. (1,398)

Change in net assets of governmental activities. \$ 402,888

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUNDS
WATER AND SEWER UTILITY FUNDS
Statement of Net Assets
June 30, 2010

Statement G

ASSETS

Current assets:

Cash and cash equivalents	\$ 84,475
Receivables, net	356,605
Prepaid expenses	11,941
Inventory	55,851

Restricted assets:

Cash and cash equivalents	<u>112,903</u>
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Total current assets	<u>621,775</u>
-----------------------------	-----------------------

Non current assets:

Capital assets, net	<u>7,500,426</u>
---------------------	------------------

TOTAL ASSETS	<u>8,122,201</u>
---------------------	-------------------------

LIABILITIES

Current liabilities:

Accounts, salaries and other payables	259,256
Interfund payable	0
Compensated absences payable	2,955
Capitalized lease obligation	80,100
Bonds payable	22,680

Current liabilities payable from restricted assets

Tenant security deposits	<u>111,935</u>
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Total current liabilities	<u>476,926</u>
----------------------------------	-----------------------

Non-current liabilities:

Capitalized lease obligation	628,671
Bonds payable	<u>2,268,167</u>

Total non-current liabilities	<u>2,896,838</u>
--------------------------------------	-------------------------

TOTAL LIABILITIES	<u>3,373,764</u>
--------------------------	-------------------------

NET ASSETS

Invested in capital assets, net of related debt	4,500,808
Unrestricted	<u>247,629</u>

TOTAL NET ASSETS	<u>\$ 4,748,437</u>
-------------------------	----------------------------

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUNDS
WATER AND SEWER UTILITY FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2010

Statement H

OPERATING REVENUES	
Water sales	\$ 770,917
Sewer fees	285,196
Other services	<u>18,742</u>
Total operating revenues	<u>1,074,855</u>
OPERATING EXPENSES	
Personnel services	302,674
Supplies	25,397
Utilities	123,886
Repairs and maintenance	164,445
Other supplies and charges	160,203
Bad debt reserve	42,163
Depreciation	<u>237,107</u>
Total operating expenses	<u>1,055,875</u>
Operating income (loss)	<u>18,980</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,043
State and federal grants	584,094
Interest expense	<u>(103,432)</u>
Total nonoperating revenues (expenses)	<u>486,705</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>505,685</u>
TRANSFERS IN/OUT	
Transfers in	<u>0</u>
Total transfers in/out	<u>0</u>
CHANGE IN NET ASSETS	505,685
NET ASSETS - BEGINNING	<u>4,242,752</u>
NET ASSETS - ENDING	<u>\$ 4,748,437</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended June 30, 2010

Statement I

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,012,814
Payments to suppliers for goods and services	(297,849)
Payments to employees for services	<u>(299,085)</u>
Net cash provided (used) for operating activities	<u>415,880</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in	<u>0</u>
--------------	----------

CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(824,915)
Payments on capital leases	(79,418)
Payments on bonds	(9,153)
Debt proceeds	0
Grant receipts	385,434
Interest expense	<u>(146,557)</u>
Net cash provided (used) for capital and related financing activities	<u>(674,609)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Earnings on investments	<u>6,043</u>
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Net increase (decrease) in cash and cash equivalents	(252,686)
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>450,084</u>
---------------------------------------	----------------

CASH AND CASH EQUIVALENTS - ENDING	<u>197,378</u>
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Cash and cash equivalents	84,475
Restricted deposits	<u>112,903</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>197,378</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	18,980
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	237,107
(Increase) decrease in accounts receivable	(62,041)
(Increase) decrease in inventory	(2,632)
(Increase) decrease in prepaid items	(11,941)
Increase (decrease) in accounts payable	232,029
Increase (decrease) in accrued expenses	1,524
Increase (decrease) in deposits due others	789
Increase (decrease) in compensated absences	<u>2,065</u>

Net cash provided (used) by operating activities	<u>\$ 415,880</u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Town of Jonesboro have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The Town of Jonesboro is located in the southwest corner of Jackson Parish. Jonesboro was incorporated as a village on September 4, 1901, and as a town on May 14, 1903, under provisions of the Lawrason Act.

The Town operates under a Mayor-Board of aldermen form of government. The Board of Aldermen of the Town of Jonesboro is composed of five aldermen, elected for four year term, who are compensated as shown in this report. The Town serves 3,914 citizens by providing police protection, fire protection, water/sewer services, sanitation services, street maintenance, and various administrative functions such as legislation of town ordinances and the enforcement of same. The Town employs approximately fifty persons to serve the needs of the citizens of the Town of Jonesboro.

B. FUNDS The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Funds Governmental funds are used to account for most of government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Department Ad Valorem Tax Fund accounts for the proceeds of ad valorem taxes restricted to expenditures of the Fire Department.

Street Department Ad Valorem Tax Fund accounts for proceeds of ad valorem taxes to expenditures of the Street Department.

Street Department Sales Tax Fund accounts for proceeds of sales taxes restricted to expenditures of the Street Department.

Proprietary Fund The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in that its focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the Town is the Utility Enterprise Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program revenues Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid.

Other Financing Sources (Uses) Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Funds

Operating Revenues and Expenses Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

Under state law, the Town may also invest in U. S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

The Town reports restricted assets on the Statement of Net Assets. This is cash that is customer deposits in the water department.

E. INVESTMENTS Under state law, the Town may invest in United States bonds treasury notes or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Town reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Definitions:

Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

H. INVENTORY Inventory is accounted for using the consumption method, where expenditures are recognized as inventory is used. All purchased inventory items are valued at cost (first-in, first-out). Inventories of the Enterprise fund consists of repair materials, spare parts, consumable supplies and fuel.

I. CAPITAL ASSETS Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land	N/A
Buildings and improvements	40-50 years
Water System	25-40 years
Sewer System	40 years
Machinery and equipment	3-20 years
Vehicles	5-10 years

In 2010, the Town implemented GASB 51, Accounting and Financial Reporting for Intangible Assets. Although the Town's implementation was retroactive, the Town had no intangibles that met the capitalization threshold as of June 30, 2009.

J. DEFERRED REVENUES The Town reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Town has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

K. COMPENSATED ABSENCES Employees of the Town earn one week to three weeks vacation leave annually, depending upon length of service; with exceptions of two employees, vacation leave does not accumulate. Employees earn from one week to three weeks of sick leave annually, depending upon length of service; employees are allowed to accumulate 45 days of sick leave. All sick leave is forfeited upon termination of employment, except for appointed

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

department heads. Liability for these compensated absences is recorded on long-term debt in the government-wide statements.

The Town's recognition and measurement criteria for compensated absences follow:

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees when both of the following conditions are met:

- A. The employees' right to receive compensation is attributable to services already rendered, and
- B. It is probable that the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The Town uses the alternative approach to accrue the liability for sick leave which includes salary-related payments.

L. RESTRICTED NET ASSETS For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation. Restricted net assets in the statement of net assets are restricted by enabling legislation.

The Town does not presently have a policy regarding the use of unrestricted or restricted resources.

M. FUND BALANCES OF FUND FINANCIAL STATEMENTS Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. INTERFUND ACTIVITY Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

O. SALES TAXES The voters of the Town of Jonesboro levied a 1% sales and use tax on April 1, 1980, to provide funds for any lawful activity of the Town. In January 1988, the taxpayers of the Town levied an additional 1% sales and use tax for a period of ten (10) years commencing August 1, 1989. In July, 1998, the taxpayers of the Town renewed the 1% sales and use tax for an additional ten (10) years commencing August 1, 1999. In July, 2008, the taxpayers of the Town renewed the 1% sales and use tax for an additional ten (10) years commencing August 1, 2009. The purpose of this tax is for the construction, maintenance, repair and improvements of the Town's streets.

P. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

Interest Rate Risk: The Town does not have a policy addressing interest rate risk.

Credit Risk: The Town's investments are in Certificates of Deposits which do not have credit ratings; however, the Town does not have a policy addressing credit rate risk.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2010 of the Town's bank balance of \$1,156,373, there was \$656,262 that was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized under provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon request. The Town does not have a policy addressing custodial credit risk.

NOTE 3 - RECEIVABLES The following is a summary of receivables at June 30, 2010:

<u>Class of Receivables</u>	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Grant			
State	\$ 4,150	\$ 2,465	\$ 6,615
Federal	7,440	198,660	206,100
Other	94,122	-	94,122
Utilities:			
Billed utilities	32,157	196,849	229,006
Unbilled utilities	5,003	30,293	35,296
Gross receivables	142,872	428,267	571,139
Less allowance for uncollectables	-	71,662	71,662
Net total receivables	<u>\$ 142,872</u>	<u>\$ 356,605</u>	<u>\$ 499,477</u>

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS Interfund transfers include the following:

Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Fire Dept. Ad Valorem Tax Fund	\$ 68,000
General Fund	Street Ad Valorem Tax Fund	68,000
General Fund	Street Sales Tax Fund	1,000,000
		<u>\$ 1,136,000</u>

Ad valorem and sales tax receipts are recorded in special revenue funds and then transferred to the general fund where the expenditures are budgeted.

NOTE 5 - CAPITAL ASSETS A schedule of changes in capital assets for the year ended June 30, 2010, follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Capital asset not being depreciated:				
Land	\$ 148,177	\$ -	\$ -	\$ 148,177
Construction In Progress	88,625	717,628	546,443	259,810
Total capital assets not being depreciated	<u>236,802</u>	<u>717,628</u>	<u>546,443</u>	<u>407,987</u>
Capital assets being depreciated:				
Land Improvements	5,058	546,443	-	551,501
Buildings & Building Improvements	899,507	19,630	-	919,137
Furniture and equipment	1,733,807	109,635	-	1,843,442
Vehicles	1,011,384	-	-	1,011,384
Total capital assets being depreciated	<u>3,649,756</u>	<u>675,708</u>	<u>-</u>	<u>4,325,464</u>
Less accumulated depreciation:				
Land Improvements	56	1,111	-	1,167
Buildings	555,606	37,776	-	593,382
Furniture and equipment	1,532,657	60,079	-	1,592,736
Vehicles	808,978	34,986	-	843,964
Total accumulated depreciation	<u>2,897,297</u>	<u>133,952</u>	<u>-</u>	<u>3,031,249</u>
Total capital assets being depreciated, net	<u>752,459</u>	<u>541,756</u>	<u>-</u>	<u>1,294,215</u>
Governmental activities				
Capital assets, net	<u>\$ 989,261</u>	<u>\$1,259,384</u>	<u>\$ 546,443</u>	<u>\$1,702,202</u>

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 21,900
Public Safety	83,000
Streets, Airport and Recreation	29,052
Total	<u>\$ 133,952</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 180,908	\$ 992,177	\$ 918,178	\$ 254,907
Total capital assets not being depreciated	<u>180,908</u>	<u>992,177</u>	<u>918,178</u>	<u>254,907</u>
Capital assets being depreciated:				
Water System	4,548,622	196,498	-	4,745,120
Sewer System	2,880,955	540,722	-	3,421,677
Equipment	1,243,859	13,697	-	1,257,556
Buildings	125,411	-	-	125,411
Total capital assets being depreciated	<u>8,798,847</u>	<u>750,917</u>	<u>-</u>	<u>9,549,764</u>
Less Accumulated Depreciation:				
Water System	735,147	93,646	-	828,793
Sewer System	873,157	58,629	-	931,786
Equipment	414,128	82,457	-	496,585
Buildings	44,705	2,376	-	47,081
Total accumulated depreciation	<u>2,067,137</u>	<u>237,108</u>	<u>-</u>	<u>2,304,245</u>
Total capital assets, being depreciated, net	<u>6,731,710</u>	<u>513,809</u>	<u>-</u>	<u>7,245,519</u>
Business Type Activities				
Capital assets, net	<u>\$ 6,912,618</u>	<u>\$ 1,505,986</u>	<u>\$ 918,178</u>	<u>\$7,500,426</u>

NOTE 6 - ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at June 30, 2010, are as follows:

	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Accounts payable	\$ 123,157	\$ 253,370	\$ 376,527
Payroll liabilities payable	121,570	-	121,570
Wages payable	22,403	5,886	28,289
Total	<u>\$ 267,130</u>	<u>\$ 259,256</u>	<u>\$ 526,386</u>

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - COMPENSATED ABSENCES The following is a summary of the changes in compensated absences for the year:

Balance at the beginning of the year	\$ 24,466
Additions	36,160
Deductions	<u>32,697</u>
Balance at the end of the year	<u><u>\$ 27,929</u></u>

NOTE 8 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One year
Governmental activities					
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	23,576	32,536	31,138	24,974	24,974
Capital leases	<u>80,179</u>	<u>-</u>	<u>14,346</u>	<u>65,833</u>	<u>12,402</u>
Total governmental activities	<u><u>103,755</u></u>	<u><u>32,536</u></u>	<u><u>45,484</u></u>	<u><u>90,807</u></u>	<u><u>37,376</u></u>
Business-type activities					
Bonds payable	2,300,000	-	9,153	2,290,847	22,680
Compensated absences	890	3,624	1,559	2,955	2,955
Capital leases	<u>788,189</u>	<u>-</u>	<u>79,418</u>	<u>708,771</u>	<u>80,100</u>
Total business-type activities	<u><u>3,089,079</u></u>	<u><u>3,624</u></u>	<u><u>90,130</u></u>	<u><u>3,002,573</u></u>	<u><u>105,735</u></u>
Long-term liabilities	<u><u>\$3,192,834</u></u>	<u><u>\$ 36,160</u></u>	<u><u>\$ 135,614</u></u>	<u><u>\$3,093,380</u></u>	<u><u>\$143,111</u></u>

The individual issue is as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>
Business-type activities:						
USDA-Water Revenue Bonds Series 2008	1/22/2009	\$2,300,000	4.500%	1/22/2049	\$ 2,535,242	\$ 2,290,847

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

The annual requirements to amortize all bonds outstanding at June 30, 2010 are as follows:

For the year ended June 30,	Principal	Interest	Total
2011	\$ 22,680	\$ 102,624	\$ 125,304
2012	23,722	101,582	125,304
2013	24,812	100,492	125,304
2014	25,951	99,353	125,304
2015	27,144	98,160	125,304
2016-2020	155,609	470,911	626,520
2021-2025	194,790	431,730	626,520
2026-2030	243,837	382,683	626,520
2031-2035	305,235	321,285	626,520
2036-2040	382,092	244,428	626,520
2041-2045	478,301	148,219	626,520
2046-2049	406,674	33,775	440,449
Total	<u>\$ 2,290,847</u>	<u>\$ 2,535,242</u>	<u>\$ 4,826,089</u>

The capital leases are paid using resources from the governmental and business-type activities, whereas the compensated absences are paid using resources from the corresponding fund in which the salaries are being paid. The bond principal payments are being paid from the business-type activities.

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

Type	Governmental or Business Type Activities	Cost	Accumulated Depreciation	Net Book Value
Water meters	Business type	\$ 820,513	\$ 214,752	\$ 605,761
Dozer	Half governmental and half business type	93,965	47,928	46,037
Tractor and excavator	Business type	69,082	30,686	38,396
Tractor and mower	Half governmental and half business type	89,945	45,368	44,577

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2010:

	Water Meters	Dozer	Tractor & Excavator	Tractor w/ Mower	Total
2011	\$ 87,000	\$ 15,816	\$ 11,831	\$ 14,971	\$ 129,618
2012	88,000	15,816	11,831	14,971	130,618
2013	90,000	15,816	11,831	14,971	132,618
2014	91,000	15,816	11,831	14,971	133,618
2015	92,000	15,814	5,912	14,970	128,696
2016-2018	284,936	-	-	-	284,936
Net minimum lease payments	732,936	79,078	53,236	74,854	940,104
Less amounts representing interest	134,149	10,928	9,085	11,338	165,500
Present value of net minimum lease payments	\$ 598,787	\$ 68,150	\$ 44,151	\$ 63,516	\$ 774,604

NOTE 9 - RETIREMENT SYSTEMS Substantially all employees of the Town of Jonesboro are members of the Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighter Retirement System of Louisiana. These systems are cost-sharing, multiple-employer-defined benefit pension plan administered by separate boards of trustees.

The Municipal Employees Retirement System of Louisiana (System)

The Municipal Employees Retirement System of Louisiana (System) is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the Town are members of Plan A.

Plan Description All permanent employees working at least 35 hours per week who are not covered by another pension plan are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service and at or after age 55 with at least 25 years of creditable service or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final average salary is the employees' average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 13.5% of annual covered payroll. Contributions to the System also include one-fourth of 1%, except for Orleans Parish and East Baton Rouge Parish, of the taxes shown to be collected by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

contribution requirements of plan members and the Town of Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to the System under Plan A for the years ending June 30, 2010, 2009, and 2008 were \$80,668, \$78,503, and \$77,377, respectively, equal to the required contributions for each year.

The Municipal Police Employees Retirement System of Louisiana (System)

Plan Description All full time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service. Final average salary is the employees' average salary over the 3+ consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-0200 or by calling (225) 929-7411.

Funding Policy Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of plan members and the Town of Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to the System under Plan A for the years ending June 30, 2010, 2009, and 2008 were \$39,541, \$34,687, and \$35,778, respectively, equal to the required contributions for each year.

The Firefighters Retirement System of Louisiana

Plan Description Membership of the Louisiana Firefighters Retirement System is mandatory for all full time firefighter employees by a municipality, parish or fire protection district that did not enact an ordinance before January, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final average salary is the employees' average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service stated, and do not withdraw their employee contributions, may retire at or after age 55 (or age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Firefighters Retirement System, P. O. Box 94095, Baton Rouge, LA 70804 or by calling (225) 925-4060.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Funding Policy Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 12.5% of annual covered payroll. The contribution requirements of plan members and the Town of Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to the System under Plan A for the years ending June 30, 2010, 2009, and 2008 were \$18,503, \$15,404 and \$14,837, respectively, equal to the required contributions for each year.

NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$96,601 is recognized as intergovernmental revenue and public safety expenditures in the following departments:

Police	\$75,351
Fire	21,250

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation At June 30, 2010, the Town is involved in several lawsuits. In the opinion of the Town's legal Council, the outcome of any remaining lawsuits will not materially affect the financial statements.

NOTE 12 - RISK MANAGEMENT The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for general liability, law enforcement officers' liability, and public officials' liability coverages that were obtained from the Louisiana Municipal Risk Management Agency. The Louisiana Municipal Risk Management Agency is a municipal risk pool administered by the Louisiana Municipal Association. The Louisiana Municipal Risk Management Agency operates similar to a commercial insurance company. Premiums are assessed members of the Louisiana Municipal Association annually, based on past experience of claims. The Louisiana Municipal Risk Management Agency services all claims for risk of loss to which the Town is exposed and cannot assess additional amounts if losses exceed their premiums (the covered risks are transferred to the Louisiana Municipal Risk Management Agency). No claims were paid on any policies during the fiscal year that exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2010.

NOTE 13 - LEVIED TAXES

The following is a summary of authorized and levied property taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Constitutional	7.66	6.95
Operation and maintenance -- fire protection	5.00	5.00
Operation and maintenance -- streets	5.00	5.00

The difference between authorized and levied millages is the result of reassessments of taxable property required by Article 7, Section 18(f) of the Louisiana Constitution of 1974.

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2008. Total assessed value was \$16,326,540 in calendar year 2009.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

The calendar-year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The amount of property taxes to be collected occurs in December 2008, and January and February 2009. All property taxes are recorded in the general, special revenue, debt service and capital projects funds. The Town considers the date penalty and interest accrues (January 1, 2009) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes are budgeted in the 2008-2009 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

NOTE 14 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations Individual Funds

	<u>Budget</u>	<u>Actual</u>	<u>Various</u>
General Fund	\$2,851,080	\$3,155,122	\$304,042

NOTE 15 - SUBSEQUENT EVENTS The Legislative Auditors' Office is currently conducting an investigation of the Town's financial records.

Town of Jonesboro

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF JONESBORO

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

Exhibit 1-1

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	(BUDGETARY BASIS)	POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, BEGINNING	\$ 382,041	\$ 382,041	\$ 382,041	0
Resources (inflows)				
Local sources:				
Taxes:				
Ad valorem	125,000	125,000	116,247	(8,753)
Franchise tax	120,000	120,000	105,695	(14,305)
Sales and use	800,000	800,000	849,308	49,308
Other taxes	5,500	5,500	7,524	2,024
Licenses and permits	131,000	131,000	109,468	(21,532)
Fines, forfeitures and court costs	70,000	70,000	33,299	(36,701)
Intergovernmental revenues:				
State funds:				
State revenue	74,050	74,050	91,380	17,330
Other	18,000	18,000	0	(18,000)
Fees, charges, and commissions for services	304,200	304,200	382,316	78,116
Use of money and property	5,000	5,000	3,753	(1,247)
Rents and royalties	26,800	26,800	23,537	(3,263)
Other revenues	35,530	35,530	95,418	59,888
Transfers from other funds	<u>1,136,000</u>	<u>1,136,000</u>	<u>1,136,000</u>	<u>0</u>
Amounts available for appropriations	<u>3,233,121</u>	<u>3,233,121</u>	<u>3,335,986</u>	<u>102,865</u>
Charges to appropriations (outflows)				
General government	632,780	632,780	614,880	17,900
Public safety	939,650	939,650	1,201,084	(261,434)
Public works	1,194,650	1,194,650	1,293,865	(99,215)
Capital outlay	64,000	64,000	28,219	37,781
Debt service:				
Principal	<u>20,000</u>	<u>20,000</u>	<u>19,074</u>	<u>926</u>
Total charges to appropriations	<u>2,851,080</u>	<u>2,851,080</u>	<u>3,155,122</u>	<u>(304,042)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 382,041</u>	<u>\$ 382,041</u>	<u>\$ 180,864</u>	<u>(201,177)</u>

TOWN OF JONESBORO
FIRE DEPARTMENT AD VALOREM TAX
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

Exhibit 1-2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
			<u>(BUDGETARY BASIS)</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 36,532	\$ 36,532	\$ 36,532	0
Resources (inflows)				
Local sources:				
Taxes:				
Ad valorem	55,000	55,000	81,905	26,905
Use of money and property	1,250	1,250	390	(860)
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>92,782</u>	<u>92,782</u>	<u>118,827</u>	<u>26,045</u>
Charges to appropriations (outflows)				
Transfers to other funds	<u>68,000</u>	<u>68,000</u>	<u>68,000</u>	<u>0</u>
Total charges to appropriations	<u>68,000</u>	<u>68,000</u>	<u>68,000</u>	<u>0</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 24,782</u>	<u>\$ 24,782</u>	<u>\$ 50,827</u>	<u>26,045</u>

TOWN OF JONESBORO

**STREET AD VALOREM TAX
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

Exhibit 1-3

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS)</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 35,786	\$ 35,786	\$ 35,786	0
Resources (inflows)				
Local sources:				
Taxes:				
Ad valorem	55,000	55,000	81,895	26,895
Use of money and property	1,250	1,250	82	(1,168)
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>92,036</u>	<u>92,036</u>	<u>117,763</u>	<u>25,727</u>
Charges to appropriations (outflows)				
Transfers to other funds	<u>68,000</u>	<u>68,000</u>	<u>68,000</u>	<u>0</u>
Total charges to appropriations	<u>68,000</u>	<u>68,000</u>	<u>68,000</u>	<u>0</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 24,036</u>	<u>\$ 24,036</u>	<u>\$ 49,763</u>	<u>25,727</u>

TOWN OF JONESBORO

**STREET SALES TAX
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

Exhibit 1-4

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS)</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 889,082	\$ 889,082	\$ 889,082	0
Resources (inflows)				
Local sources:				
Taxes:				
Sales and use	800,000	800,000	849,308	49,308
Use of money and property	2,500	2,500	4,022	1,522
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>1,691,582</u>	<u>1,691,582</u>	<u>1,742,412</u>	<u>50,830</u>
Charges to appropriations (outflows)				
General government	0	0	0	0
Transfers to other funds	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Total charges to appropriations	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 691,582</u>	<u>\$ 691,582</u>	<u>\$ 742,412</u>	<u>50,830</u>

Town of Jonesboro
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2010

NOTE A. BUDGET PRACTICES A proposed budget for the general fund and the special revenue funds of the Town of Jonesboro is prepared on the modified accrual basis of accounting. The budget is legally adopted by the Town of Jonesboro and then amended during the year, as necessary. The budget is established and controlled at the object level of expenditures. Appropriations lapse at year-end and must be re-appropriated for the following year. The Town of Jonesboro authorizes all amendments to the budget. No amendments were made to the original budget.

Formal budgetary integration is employed as a management control device during the year.

NOTE B. BUDGET TO GAAP RECONCILIATION Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures are presented on the next page.

NOTE C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	<u>Budget</u>	<u>Actual</u>	<u>Various</u>
General Fund	\$2,851,080	\$3,155,122	\$304,042

Town of Jonesboro
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2010

	<u>General</u>	<u>Fire Dept. Ad Valorem Tax</u>	<u>Street Ad Valorem Tax</u>	<u>Street Sales Tax</u>
Sources/inflows of resources:				
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,335,986	\$ 118,827	\$ 117,763	\$ 1,742,412
State and federal grants not included in the budget	808,886	-	-	-
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(382,041)	(36,532)	(35,786)	(889,082)
Transfer from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	(1,136,000)	-	-	-
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,626,831</u>	<u>\$ 82,295</u>	<u>\$ 81,977</u>	<u>\$ 853,330</u>
Uses/Outflows of resources:				
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	3,155,122	68,000	68,000	1,000,000
State and federal grants not included in the budget	808,886	-	-	-
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	-	(68,000)	(68,000)	(1,000,000)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 3,964,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Jonesboro

SUPPLEMENTAL INFORMATION

Town of Jonesboro

**Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 2010**

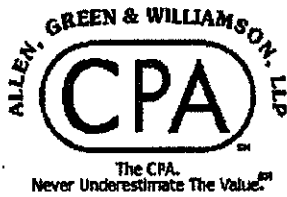
Exhibit 2

The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen were paid \$500 per month.

Leslie Thompson, Mayor	\$35,000
Carroll R. Layfield	6,000
Randy Shows	6,000
Aaron Stringer	6,000
Terry Wiley	6,000
Rene Stringer	<u>6,000</u>
TOTAL	<u>\$65,000</u>

Town of Jonesboro

**OTHER REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**



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Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable Leslie Thompson, Mayor
and Members of the Board of Aldermen
Town of Jonesboro
Jonesboro, Louisiana

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 31, 2011. We did not express an opinion on the financial statements because the Town did not maintain adequate records of receipts and disbursements, properly reconcile bank accounts or accounts receivable and accounts payable, nor were all transactions entered in the accounting records.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 10-F1, 10-F2, 10-F3, 10-F4 and 10-F6 to be material weaknesses.

Compliance and Other Matters

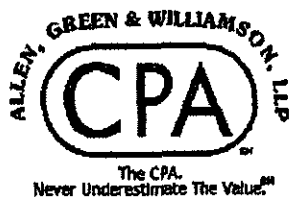
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 10-F5 and 10-F7.

The Town's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year audit findings. We did not audit the Town's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2011



ALLEN, GREEN & WILLIAMSON, LLP

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(Retired) 1963 - 2000

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

Honorable Leslie Thompson, Mayor
and Members of the Board of Aldermen
Town of Jonesboro
Jonesboro, Louisiana

Compliance

We have audited the compliance of the Town of Jonesboro, with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2010. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in item 10-F9 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding cash management that are applicable to the Airport Improvement Program, CFDA #20.106, and the Community Development Block Grant, CFDA #14.228. Compliance with such requirements is necessary, in our opinion for the Town to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-F8, 10-F9, and 10-F10 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-F11 to be a significant deficiency.

The Town's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year audit findings and questioned costs. We did not audit the Town's responses and accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 31, 2011. We did not express an opinion on the financial statements because the Town did not maintain adequate records of receipts and disbursements, properly reconcile bank accounts or account receivable and accounts payable, nor were all transactions entered in the accounting records. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB A-133 and is not a required part of the basic financial statements. We express no opinion on the schedule of expenditures of federal awards.

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 31, 2011

Town of Jonesboro
Schedule of Expenditures of Federal Awards
June 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Transportation:			
Direct:			
Federal Aviation Administration			
Airport Improvement Program	20.106	N/A	401,220
Environmental Protection Agency			
Passed through LA Dept. of Environmental Quality			
Capitalization Grants for Clean Water (ARRA)	66.458	CS221730-01	251,768
Delta Regional Authority			
Delta Area Economic Development	90.201	N/A	185,090
United States Department of Housing and Urban Development			
Passed Through Louisiana Division of Administration			
Community Development Block Grant	14.228	670718	326,662
 TOTAL FEDERAL AWARDS			 <u><u>\$1,164,740</u></u>

Town of Jonesboro
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Jonesboro. The Town's reporting entity is defined in Note 1 to the Town's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the Notes to the Financial Statements to the Town's financial statements.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS Federal awards revenues are reported in the Town's financial statements as follows:

General Fund Federal Revenue	\$ 586,310
Enterprise Fund	<u>578,430</u>
Total	<u>\$1,164,740</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was a disclaimer.
- ii. There were five significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America. All of these significant deficiencies were reported as material weaknesses.
- iii. There were two instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There were four significant deficiencies required to be disclosed by OMB Circular A-133. Three significant deficiencies were considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed four audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs are:

CFDA #20.106	Airport Improvement Program
CFDA #14.228	Community Development Block Grants
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Reference # and title: **10-F1** **General Accounting**

Entity-Wide or program /department specific: This finding is entity wide.

Criteria or specific requirement: Good controls over financial records of the Town should include written policies and procedures, segregation of duties, proper reconciliations, approval of manual journal entries, and adequate financial information provided to the Town Council and department heads. All payables and receivables should be recorded at year end and prior year receivables and payables reversed.

Condition found: The Town uses a general ledger program and a program for ad valorem taxes billing. A third party does the utility billing for the Town. Currently the Town has no written policy for information systems and only has procedures for limiting access to the payroll data.

There were several issues noted with cash. Checks were not issued in check number order and there is no accounting for the sequence of check numbers. There are two series of manual checks, for which there are no controls to ensure that all manual checks are recorded. Bank reconciliations are not reconciled back to the general ledger. There were numerous checks and deposits found that were never recorded or were recorded in the wrong cash account. The checks for the LCDBG account were never recorded and the deposits were recorded in the control account instead of the LCDBG account. Also the town did not have bank statements for the account.

The bank reconciliation for the control account included outstanding checks which were actually written from other accounts and had cleared the other bank accounts and outstanding checks which actually cleared the control account during the fiscal year and should not have been outstanding on the bank reconciliation. There were two deposits in transit that cleared the account during the year and should not have been deposits in transit. There were also outstanding checks dating back to 1995 and several outstanding checks that are negative checks.

An entry was recorded by the Town to the control account to record numerous deposits, manual checks and charge backs even though most of the activity flowed through other accounts. This entry was made in June 2010 by the Town and had to be corrected by audit adjustment.

The payroll account reconciliation lists outstanding deposits that cleared the bank during the year. There are outstanding checks dating back to 2001. The reconciliation should agree with the payroll clearing cash account in Fund 20, but there is a material difference.

There were five cash accounts that had no activity recorded throughout the year even though there was activity in the bank accounts.

There were poor internal controls over cash deposits. Forty police fines, forty six ad valorem receipts and four days of water receipts were tested and every transaction tested was deposited late. Most deposits throughout the year were made 5 days late to over a week late. In addition, there were numerous days where daily cash collections were over or short with no reconciliation of the differences. There is no procedure in place to reconcile police fines collected to information from the Clerk of Court.

Petty cash transactions are not posted to the general ledger. The balance of petty cash on the general ledger does not agree to the total of cash and receipts in the petty cash drawer.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

The Town could not provide a listing of grants received for the current year including the information needed for the Schedule of Expenditures of Federal Awards.

Adequate and accurate financial statements were not being provided to the Town Council. The council only receives accounts payable check registers, which does not present all transactions posted to the general ledger.

Supporting documentation was not available for manual journal entries other than routine monthly cash receipts.

Auditors were provided listings for accounts receivable and accounts payable, but material payables and receivables still had to be recorded by audit adjustment. For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts. An audit adjustment was made to reverse the payables and receivables from the prior year.

From review of documentation from the IRS it appears that the payroll liabilities for the year were paid, but were not all posted to the general ledger. Due to unrecorded transactions and lack of documentation any outstanding payroll liability is unable to be determined.

There are no standard procedures for settling up of travel advances to employees.

The general ledger balances for the three inventory accounts did not agree with the physical counts performed.

Possible asserted effect (cause and effect):

Cause: There appears to be a lack of defined job descriptions and accounting policies and procedures. We were not provided with any written accounting procedures. We requested policies and procedures for purchasing, travel, check signing and capital assets and were not provided with any of these policies or procedures. We requested a policy manual on several occasions and were not provided with one.

Effect: Bank account reconciliations provide an opportunity for checks and deposits clearing the bank to be reviewed. The reconciliation process also provides assurance that all deposits and checks are recorded. Most banks require any mistakes or unauthorized use of funds be reported in a timely manner to receive reimbursement. Monthly financial statements may be inaccurate if bank accounts have not been reconciled.

Federal and state grants must be identified as such at the start of the grant so that applicable compliance requirements are identified. Grant receipts and disbursements must be recorded in a timely manner to ensure that grant records are complete. Incomplete grant records could endanger the receipt of future grants.

Timely and accurate financial information is needed to make financial decisions. The absence of this information puts management and the Council at a disadvantage when making financial or budget decisions.

Financial records for journal entries are not complete. Manual journal entries should be recorded monthly as needed. Financial statements are not complete if entries are not included.

Recording of receivables and payables should be a part of the year end close. Financial statements are not accurate if receivables and payables are not accurate.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

For the utility fund accounts receivable should be recorded each month for services rendered during the month. Collections should be recorded as a reduction of accounts receivable so the Town knows at any given time the amount that is due from customers. The general ledger balance should be reconciled to the sub ledger generated from the utility program each month and any differences should be resolved. When this procedure is not followed the accuracy of utility accounts receivable is questionable.

Poor controls over the cashier functions provide for opportunities for misappropriation of funds.

Recommendation to prevent future occurrences: Procedures and job descriptions must be established for maintenance of accounting records. These procedures should include monthly reconciliations of bank accounts to the general ledger and accounts receivable sub ledger. Procedures should also include controls over the cashier functions and daily reconciliations of cash collected to the general ledger recording and investigations of any over or short amounts. Procedures should be established to ensure that bills are paid on time. Additional training should be provided to the accounting staff and a third party CPA should be contracted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

Reference # and title: **10-F2** **Utility Collections/Public Works**

Entity-Wide or program /department specific: This finding is for the Water and Sewer Utility Fund.

Criteria or specific requirement: Deposits should be traceable from the point of receipt to posting to the customer's account in the billing system. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely. Cutoff fees should be charged on accounts in arrears and adjustments to customer accounts should be properly approved and documented.

The accounts receivable sub-ledger should be reconciled to the general ledger monthly. The utility deposits sub ledger should be reconciled to the general ledger monthly.

Condition found: While testing 4 days of utility cash receipts (495 individual payments) in the Water and Sewer Utility Fund, it was noted that deposits for all four days were not made timely. There were 2 exceptions where the amount was not properly posted to the customer's account. There were 7 exceptions where the customer was not disconnected after the cutoff date.

In testing 25 accounts that were on the cutoff list for April 2010, 17 had not been charged the reconnect fee.

In testing of adjustments given to customers on their utility bills, five of the twenty five tested did not have written approval of the adjustment.

The utility receivable sub ledger balance at June 30, 2010 was materially different from the general ledger balance at June 30, 2010. There is no reconciliation of this difference. In addition, 70% of the balances were over ninety days old per the aging report.

Sewer charges for the months of February through June 2010 were approximately half of the prior months. It appears that some change was made to the billing system to lower the sewer rates.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: It appears that there is no proofing of customer payments to ensure that their payment is applied to the proper account. The Town does not have staff assigned to monitor the cutoffs, deposits, and adjustments adequately.

Effect: The Town could be losing water and sewer revenue and internal controls are weakened.

Recommendation to prevent future occurrences: The Town should ensure that all cash receipts are deposited in a timely manner (within three banking days). There should be greater internal control over cash receipts. There should be a reconciliation of receipts to the actual deposits of all payments performed by an employee independent of the collection, posting, or bank deposit functions.

The cutoff policy should be followed on all customers. An adjustment form should be prepared stating the reason for the adjustment, the amount and a proper official should sign as approving the adjustment.

Reference # and title: **10-F3** **Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and supervisor. I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by statements and adequate receipts.

Condition found: The following exceptions were noted from a test of vendor disbursements:

From a random sample of 22 checks the following was noted:

- No documentation was provided for one check.
- Purchase orders for two of the checks could not be provided.
- Three of the checks were paid more than 30 days after the invoice date.

Also, 14 grant checks were selected for testing and eight of these checks were not recorded in the general ledger.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

The following exceptions were noted from a test of 50 payroll disbursements:

- One instance of the payment not being from a computer generated check and was not recorded in the general ledger.
- Seven instances where the personnel file was missing proof of existence documentation. (I-9, social security, driver's license, etc.)
- Forty five instances where time records were not signed by the employee or the supervisor.
- Eight instance where time records were not available.
- Nine instances where the pay rate was incorrectly computed or the rate could not be computed.
- There are no salary schedules to support pay rates. The latest salary schedule that could be located was from 2005.

The following exceptions were noted in testing of four credit card accounts:

- The entire year was tested for the one of the credit cards and the November 2009, December 2009 and February 2010 statements and receipts could not be located.

Possible asserted effect (cause and effect):

Cause: There is poor control over vendor and payroll disbursements and credit card usage.

Effect: Internal control over disbursements is not adequate resulting in untimely and unsupported payments.

Recommendation to prevent future occurrences: All vendor payments in the future should include original documentation (invoices, etc.) and should be paid timely. Records supporting disbursements should be properly maintained. All employees should have a completed I-9 form. The Town should establish and maintain a salary schedule. There should be a form for employee evaluations and raises and should be maintained in the employees' files. All salary increases should have the proper approval on the form. Time cards/or pay sheets should be signed by the employee and the supervisor. All overtime should be authorized by the appropriate official.

Reference # and title: **10-F4** **Capital Asset Management**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statue LSA-R.S.24:515 requires the Town to maintain a comprehensive listing of capital assets.

Condition found: The Town does not have procedures in place where an employee maintains a complete listing of the Town's capital assets nor do they have procedures to ensure all additions and deletions are properly reflected and monitored. Auditors had to compile a listing for additions to capital assets due to the town not having any records for capital assets. There was no annual physical inventory taken as required for good internal controls nor are all assets properly tagged. Records for construction in progress were not maintained for the year. The Town could not complete a listing of construction projects they had, which ones were completed at 6/30/10 or how much was paid or owed on each project. There were files for the numerous projects, but there were several invoices missing from the files and

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

nobody tracked the progress of any of the projects. Auditors had to complete the schedule for construction in progress and determine which construction projects the Town had.

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on the capital assets listing.

Effect: The Town was in violation of state law and has inadequate internal control over safeguarding of capital assets.

Recommendation to prevent future occurrences: Management of the Town should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets as additions and deletions are added during the year. Department heads should be given addition and deletion forms and required to complete the forms as purchases or deletions of capital assets are made and then given to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be investigated. All assets should be tagged as property of the Town and serial numbers retained by the property manager. Property manager should also maintain records for all construction projects to determine the status of each project and which projects have been completed and should be added to the capital asset listing.

Reference # and title: **10-F5** **Late Submission of Audit Report to Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

Condition found: The Town did not have the audit completed and submitted to the Legislative Auditor by the six month deadline of December 31, 2010. The Town was originally granted an extension to March 31, 2011, but that extension was then revoked by the State.

Possible asserted effect (cause and effect):

Cause: The audit for the Town was not completed in time to meet the required deadline due to the Town's lack of adequate financial records. This was due to bank reconciliations not being performed and the financial records not being complete.

Effect: The Town's audit was not filed by the six month deadline.

Recommendation to prevent future occurrences: The Town should strive to have all bank reconciliations performed and the financials balanced and completed in a timely manner in order for the submission of their audit report each year in order to comply with requirements with the Legislative Auditor's Office and other agencies.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Reference # and title: **10-F6** **Accounting for Third Party Collections**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: The Town collects payments for various bills for a third party, APS. The Town is to deposit the collections from each day's activity into the designated bank account. APS downloads the Town's collections each night from the system and draws the day's total collections from the bank account.

Condition found: In testing of four months of collections it was found that the Town was not making timely deposits, therefore when APS would draw the collections from the bank account, the account would go to a negative balance. The Town was in turn being charged NSF fees. In January of 2010 there was a variance between the deposited amount and the daily report of the actual collections. This variance was due to an employee making a deposit of their own personal funds to bring the account out of a negative balance and to stop the NSF fees. Once this deposit was made the bank balance did go to zero from being negative. There were two other deposits noted in December 2009 and June 2010 that caused a variance between the deposits and the daily report. These belonged to other accounts, but were never transferred out to the proper accounts. There was also a deposit noted that was made in July 2010 just after year end that was made from an employee's personal funds.

A cash count of the APS drawers was performed while on location. The APS system was down and there were no collections for the day so each drawer should have only the \$150 start up money. One of the drawers had more than the \$150 because the drawer had last been used 14 days earlier and had not been counted down until the cash count was performed.

Possible asserted effect (cause and effect):

Cause: The Town was not making timely deposits of collections.

Effect: The bank account consistently stayed at negative balance causing the Town to be charged NSF fees.

Recommendation to prevent future occurrences: Collections from each day should be deposited daily to avoid the Town being charged NSF fees by the bank.

Reference # and title: **10-F7** **Local Government Budget Act**

Criteria or specific requirement: R.S. 1306 provides that the budget should be adopted before the end of the prior fiscal year. Per R.S. 1311 the budget should be amended if total expenditures exceed total budgeted expenditures by 5% or more.

Condition found: The budget for the fiscal year ended June 30, 2010 was adopted on December 2, 2009. The budget was not amended even though expenditures for the general fund exceeded the budget by more than 5%.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: There was conflict between the Mayor and the Council regarding the budget.

Effect: Budget was not adopted timely nor was it amended.

Recommendation to prevent future occurrences: The laws regarding the budget should be followed in the future.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section (a):

Reference # and title: **10-F8** **Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA#20.106, from federal agency, Federal Aviation Administration and the Community Development Block Grant (LCDBG) CFDA# 14.228 from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for federal award year 2010.

Criteria or specific requirement: Effective internal controls should include vendor disbursements being properly recorded on the general ledger.

Condition found: Several disbursements were not recorded in the general ledger.

Possible asserted effect (cause and effect):

Cause: There were some manual checks written that were never recorded and it is unknown why the accounts payable check were never recorded.

Effect: Disbursement activity was not recorded in the general ledger, therefore expenditures were understated and this created variances with the reconciliation of cash accounts.

Recommendation to prevent future occurrences: All transactions should be recorded in the general ledger. Review of the general ledger should be performed to ensure that all activity has been recorded. The normal accounts payable procedures should be used to help ensure that disbursements are recorded in the general ledger. If manual checks are written, they should be posted to the general ledger immediately to help ensure all activity is recorded.

Reference # and title: **10-F9** **Cash Management**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA#20.106, from federal agency, Federal Aviation Administration and the Community Development Block Grant (LCDBG) CFDA# 14.228 from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for federal award year 2010.

Criteria or specific requirement: Funds are required to be expended in a timely manner once received.

Condition found: For the Airport Improvement program, there were eight disbursements tested and six were not expended in a timely manner. For the LCDBG, there were four reimbursements tested out of eight that were done for the year. One of the four tested was not expended timely.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section (a):

Possible asserted effect (cause and effect):

Cause: The town failed to expend funds in a timely manner, deposited funds in an interest bearing account and earned interest on the funds.

Effect: The Town was in violation of the requirement to expend funds in a timely manner and earned interest on federal funds which is not allowable.

Recommendation to prevent future occurrences: Funds should be expended within a timely manner within three days once received. Funds should be deposited into a noninterest bearing account to prevent interest from being earned on federal funds. Deposits should also be reviewed when posting to ensure that they are being recorded in the proper accounts.

Reference # and title: **10-F10** **Capital Outlay Accounting**

Entity-Wide or program /department specific: This finding relates to the Community Development Block Grant (LCDBG) CFDA# 14.228 from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana and the Airport Improvement program, CFDA#20.106, from federal agency, Federal Aviation Administration for federal award year 2010.

Criteria or specific requirement: Proper accounting for capital outlay expenditures requires that only expenditures for capitalizable items be charged to the capital outlay general ledger accounts. An analysis of construction in progress should be maintained for each project.

Condition found: In testing the two grants it was found that numerous transaction were recorded to capital outlay that should not have been. There were several repairs and maintenance expenses recorded as capital outlay. In addition there were transactions for capital outlay that never were recorded and had to be recorded by the auditors. A schedule of construction in progress was not maintained by the Town.

Possible asserted effect (cause and effect):

Cause: The accounting staff was not knowledgeable of the requirements for recording capital projects. Also, no review was made of the capital outlay accounts prior to year end close to ensure that only capitalizable entries were recorded. Some project files were maintained but an analysis of construction in progress was not maintained.

Effect: There is a possibility that some of the construction in progress which should be capitalized was expensed.

Recommendation to prevent future occurrences: Capital outlay accounts should be reviewed at year end to ensure that only allowable and appropriate expenses are posted. An analysis of construction in progress should be maintained on a monthly basis. When the project is complete the costs should be moved to the proper capital asset account.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Part III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section (a):

Reference # and title: **10-F11** **Procurement, Suspension and Debarment**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA#20.106, from federal agency, Federal Aviation Administration for federal award year 2010.

Criteria or specific requirement: Federal regulations require that entities receiving federal funds should determine that the entity is not purchasing items or services from any vendor or individual that is considered suspended or debarred by the Federal Government. Therefore, the entity should verify through the EPLS system, collect a certification from the vendor or add a clause in the contract with the vendor ensuring that the vendor is not suspended or debarred.

Condition found: When testing the procurement, suspension and debarment compliance requirement, it was noted that the Town does not have procedures in place to verify that the vendors they are purchasing from are not suspended or debarred.

Possible asserted effect (cause and effect):

Cause: There was no verification of vendors using EPLS included in the bid packet or in the contracts. There appears to be no knowledge at the Town level and the engineering firm uses a standardized contract which does not include a suspension and debarment clause.

Effect: The Town did not verify whether vendors were suspended or debarred, which could cause the Town to not to be in compliance with all federal requirements of their programs.

Recommendation to prevent future occurrences: The Town should establish internal controls and procedures to ensure that vendors with which they make purchases are not suspended or debarred. Verification checks should be performed by accessing the EPLS website to ascertain if each vendor is either suspended or debarred and the verifications printed and kept.

Town of Jonesboro

Other Information

The information in the following section concerns management's actions or intentions concerning prior- and current-year audit findings. This information has been prepared by the management of the Town of Jonesboro. Management accepts full responsibility for the accuracy of the information. This information has not been audited by the auditors and accordingly, no opinion is expressed.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010**

Reference # and title: **09-F1** **General Accounting**

Origination Date: December 31, 2008.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Good controls over financial records of the Town should include written policies and procedures, segregation of duties, proper reconciliations, approval of manual journal entries, and adequate financial information provided to the Town Council and department heads. All payables and receivables should be recorded at year end and prior year receivables and payables reversed.

The Town uses a general ledger program and a program for ad valorem taxes billing. A third party does the utility billing for the Town. Currently the Town has no written policy for information systems and only has procedures for limiting access to the payroll data.

Bank accounts were not reconciled timely. Bank reconciliations for the June 30, 2009 fiscal year were not completed until February 2010 when a CPA firm was hired to do the reconciliations. The June 2009 bank reconciliation has over 300 outstanding checks that are over one year old. These old outstanding checks date back to 1996 through the present. An unauthorized withdrawal from the bank account was made during the fiscal year and was not detected in a timely manner because bank reconciliations were not performed. Also, there was a sales tax deposit in November 2008 which was not recorded on the general ledger for \$136,896 and a franchise tax deposit of \$6,149 in December 2008 which was not recorded on the general ledger.

The Town could not provide a listing of grants received for the current year including the information needed for the Schedule of Expenditures of Federal Awards.

Adequate and accurate financial statements were not being provided to the Town Council. For the months of July through November 2008 the Council was provided with a typed listing of checks. For the months December 2008 through June 2009 the Council was provided an accounts payable distribution journal which does present all transactions posted the general ledger.

Manual journal entries made by the Town for July and August of 2008 were unavailable. In June 2009 an entry was made to record the grant revenue and expense for the USDA grant for the whole year. The revenue was recorded in the general fund and the expenses were recorded in the water and sewer fund. The total recorded in June was \$3,243,192.80.

Auditors were not provided a listing of accounts receivable and accounts payable. The receivables and payables on the books at June 30, 2009 were the 2007 receivable and payable balances. These balances had to be reversed and the 2008 receivables and payables had to be recorded and reversed also. Then the 2009 receivable and payable balances were recorded. Checks written after June 30th for June 30th fiscal year expenditures were not properly dated.

For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts.

Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010

Vendor payments were often made late including payroll deductions. The following payroll related liabilities were not paid timely:

The only federal income tax withholding that was paid to the IRS was for the months of February 2009, March 2009, and May 2009. The remaining months in the fiscal year were not paid by June 30th. A total of \$86,971.95 in federal tax withholding was due to the IRS at June 30, 2009.

Medicare and Social Security withholdings and employer taxes were paid to the IRS for only the months of February 2009, March 2009 and May 2009. The remaining months in the fiscal year were not paid by June 30th. The amount due to the IRS for Medicare and Social Security at June 30th was \$44,551.59.

State income tax withholding was paid to the state in December 2008 for the first six months of the year. Subsequent payments were made in February 2009, March 2009, and May 2009. Total state withholdings for the year was \$28,859.43 and total payments to the state were \$18,091.42. This deduction account had a beginning overpayment balance of \$7,368.59 leaving a balance due the state at June 30th of \$3,399.42.

The Christmas Club deductions for November 2008 were not transferred to employee's accounts. Some employees were paid the withholdings directly when the employee discovered the transfer had not been made.

The group health insurance was not paid timely during the year. Payments for November 2008 and December 2008 were late and the payments for March 2009 and April 2009 were late. The health insurance for employees was canceled twice during the year for non-payment.

There were poor internal controls over the cashier functions, resulting in the theft of funds during the year by one of the cashiers. In addition, there were numerous days where daily cash collections were over or short with no reconciliation of the differences. The over and short amounts ranged up to \$500. The daily collections for June 11, 2009 were \$9,345.25 per the daily receipts summary. The deposit was made on two separate days - \$7,822.88 was deposited on June 18th and the remainder was deposited on June 19th. The deposits were made a week after the collections.

The Council's W'2s for the year 2008 were incorrect when mailed and had to be corrected.

There are no standard procedures for settling up of travel advances to employees.

When the trial balances were given to the auditors at year end all of the funds were out of balance. The following were the out of balance amounts:

General fund	\$392,929
Fire Dept. Ad Valorem Tax	15,014
Street Dept. Ad Valorem Tax	15,014
Street Dept. Sales Tax	144,348
Water and Sewer	162,077

Corrective action planned: See corrective action plan for current year finding 10-F1.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010**

Reference # and title: **09-F2** **Utility Collections/Public Works**

Origination Date: December 31, 2008.

Entity-Wide or program /department specific: This finding is for the Water and Sewer Utility Fund.

Condition: Deposits should be traceable from the point of receipt to posting to the customer's account in the billing system. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely. Cut off fees should be charged on accounts in arrears and adjustments to customer accounts should be properly approved and documented.

The accounts receivable sub-ledger should be reconciled to the general ledger monthly. The utility deposits sub ledger should be reconciled to the general ledger monthly.

While testing 4 days of utility cash receipts (435 individual payments) in the Water and Sewer Utility Fund, it was noted that one day's deposit was not made until 9 days later; there were 4 instances where a customer's payment was not posted to their account properly. Also noted in this test was that 22 customers were not disconnected after the cutoff date.

In testing of 15 accounts that were on the cut off list for June 2009, 8 had not been charged the \$30.00 reconnect fee. Also, in 7 of these cases the person was allowed to pay a partial payment and services were turned back on even though full payment had not been made. One of these customers had a balance of \$496.11 at June 30th. One customer, whose husband is an employee of the Town, had a balance of \$592.75 after the payment and was not cut off. Per a review of this account, the customer has not had a zero balance since May of 2006 and was not cut off during that time.

In testing the adjustments given to customers on their utility bills, the support did not state the reason for the adjustment nor did it show who authorized the adjustment.

The utility deposits sub ledger has a balance of \$124,785 in utility deposits at June 30, 2009 while the general ledger has a balance of \$111,146 at June 30, 2009. There is no reconciliation of this difference.

Corrective action planned: See corrective action plan for current year finding 10-F2.

Reference # and title: **09-F3** **Cash Deposits of Police Fines and Controls Over Ticket Books**

Origination Date: December 31, 2009.

Entity-Wide or program /department specific: This finding is specific to the Police Department.

Condition: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. For the purpose of testing, deposits within three banking days are considered as being timely. A reconciliation of the amount of collections per the police software monthly report to the revenue accounts in the general ledger should be prepared. There should be controls over the issuance of ticket books to officers.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010**

Ticket books were not issued to officers in the fiscal year ended June 30, 2009. The books were kept in a file room and the officers would get the books as they were needed. The officers were requested to keep the books in sequential order by the numbers on the packages of tickets but there was no reconciliation of tickets books issued. When the officers finished with a book they would complete a log sheet with the ticket numbers, offense, and name of the person receiving the ticket. This log was turned in to the Chief. There was no accounting for the sequential numbers of the books.

A sample of 37 police fines was selected to determine if the deposit was made timely. This included tracing the deposit to the bank statement, tracing the deposit to the ticket that was issued, agreeing the amount collected to the standard fine for that offense, and tracing to the general ledger account for proper posting. The results were as follows:

- 16 were not deposited timely.
- 12 of the tickets could not be found.
- 1 ticket was receipted twice on different receipts and neither was voided.
- 2 of the days police fines collected were incorrectly posted to incorrect general ledger accounts; one to oil & gas royalties and the other to fees and other charges.
- 4 tickets paid could not be traced to the bank statements.
- 15 tickets noted where the fine collected did not match the fine schedule with no explanation for the variance.

Corrective action taken: The Police Department is now accounting for the ticket books. The late deposits are included in 10-F1 finding for the current year.

Reference # and title: **09-F4** **Billing and Collections of Ad Valorem Taxes**

Origination Date: December 31, 2009.

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Good internal control of tax collections requires accurate billings, collections and posting of those collections.

The original billings mailed in late 2008 for ad valorem taxes were for the wrong tax year. A second billing had to be sent to all customers for the correct amount. A sample of 3 days of ad valorem tax receipts was selected for testing. A total of 163 receipts were tested for timely deposit, deposit in the bank account, proper recording in the general ledger, and proper recording on the customer's account. The following was noted:

- None of the receipts tested were deposited in a timely manner (3 business days). Collections from December 30, 2008 were deposited January 12, 2009; collections from April 15, 2009 were deposited April 23, 2009, and collections from April 14, 2009 were deposited April 23, 2009.
- Two exceptions noted where the interest and penalty amounts were not paid, but the accounts were cleared.

The Town had property tax software to account for each customer's account but Town employees did not feel comfortable that the balances of these customer accounts was correct. The tax sale for property with unpaid taxes was not held due to unreliable records.

Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010

Corrective action taken: This finding was cleared except for the deposit not being made timely. The issue with the untimely deposits is addressed in the current year finding 10-F1.

Reference # and title: **09-F5** **Internal Control Over Disbursements**

Origination Date: December 31, 2008.

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and supervisor. The I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by adequate receipts, and only used by authorized employees.

The following exceptions were noted from a test of 65 vendor disbursements:

- Six instances noted where the purchase order was either not approved or was prepared after the date of the invoice.
- Six checks did not have proper support such as an invoice.
- Four of the checks were not paid timely.

The following exceptions were noted from a test of 24 payroll disbursements:

- 9 exceptions noted in which either the personnel file was missing the I-9 form or I-9 form was incomplete.
- 13 exceptions where the overtime was not approved by an appropriate official.

Additionally:

- Neither the employee nor the supervisor is required to sign the time cards or pay sheets.
- There are no support documents in the personnel files for salary rates and the latest salary schedule provided was from 2005.

The following exceptions were noted from a test of three credit cards/charge accounts:

- The Town could not provide statements for 4 months on one of the cards and could not provide invoices for five months.
- The Town could not provide statements for 4 months on another card.
- One of the charge accounts was suspended by the vendor due to non-payment (account was delinquent over 90 days).

The following exceptions were noted from testing of 10 travel checks:

- 5 of the checks had no documentation attached to support the check.
- 1 of the checks had partial documentation attached to support the check.

Corrective action planned: See corrective action plan for current year finding 10-F3.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010**

Reference # and title: **09-F6** **Capital Asset Management**

Origination Date: December 31, 2009.

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Louisiana Revised Statute LSA-R.S.24:515 requires the Town to maintain a comprehensive listing of capital assets.

The Town does not have procedures in place where an employee maintains a complete listing of the Town's capital assets nor do they have procedures to ensure all additions and deletions are properly reflected and monitored. There was no annual physical inventory taken as required for good internal controls nor are all assets properly tagged.

Corrective action planned: See corrective action plan for current year finding 10-F4.

Reference # and title: **09-F7** **Late Submission of Audit Report to Legislative Auditor**

Origination Date: December 31, 2008.

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

Condition found: The Town requested an extension of time by the Legislative Auditor's Office and an extension was approved to March 31, 2010. An additional extension was requested to May 31, 2010.

Corrective action planned: See corrective action plan for current year finding 10-F5.

Reference and title: **09-F8** **Capital Outlay Accounting**

Origination Date: December 31, 2009.

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

Condition: Proper accounting for capital outlay expenditures requires that only expenditures for capitalizable items be charged to the capital outlay general ledger accounts. An analysis of construction in progress should be maintained for each project.

In testing of the federal grant charges for the USDA financed project it was noted that the expenses charged to capital outlay included repayment of interim financing which should have been charged to a liability (loan payable) account. An analysis of construction in progress was completed by the auditors using the project files and the general ledger.

Corrective action taken: This grant was not active for the June 30, 2010 fiscal year.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2010**

Reference # and title: **09-F9** **Late Submission of the Audit Report to the USDA**

Origination Date: December 31, 2008.

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

Condition: The United States Department of Agriculture requires the audit for the Town be filed 150 days after fiscal year end of June 30th each year.

The Town did not file the audit by the end of the 150 days required.

Corrective action taken: The town did not have this grant for the 2009-2010 year.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Reference # and title: **10-F1** **General Accounting**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Good controls over financial records of the Town should include written policies and procedures, segregation of duties, proper reconciliations, approval of manual journal entries, and adequate financial information provided to the Town Council and department heads. All payables and receivables should be recorded at year end and prior year receivables and payables reversed.

The Town uses a general ledger program and a program for ad valorem taxes billing. A third party does the utility billing for the Town. Currently the Town has no written policy for information systems and only has procedures for limiting access to the payroll data.

There were several issues noted with cash. Checks were not issued in check number order and there is no accounting for the sequence of check numbers. There are two series of manual checks, for which there are no controls to ensure that all manual checks are recorded. Bank reconciliations are not reconciled back to the general ledger. There were numerous checks and deposits found that were never recorded or were recorded in the wrong cash account. The checks for the LCDBG account were never recorded and the deposits were recorded in the control account instead of the LCDBG account. Also the town did not have bank statements for the account.

The bank reconciliation for the control account included outstanding checks which were actually written from other accounts and had cleared the other bank accounts and outstanding checks which actually cleared the control account during the fiscal year and should not have been outstanding on the bank reconciliation. There were two deposits in transit that cleared the account during the year and should not have been deposits in transit. There were also outstanding checks dating back to 1995 and several outstanding checks that are negative checks.

An entry was recorded by the Town to the control account to record numerous deposits, manual checks and charge backs even though most of the activity flowed through other accounts. This entry was made in June 2010 by the Town and had to be corrected by audit adjustment.

The payroll account reconciliation lists outstanding deposits that cleared the bank during the year. There are outstanding checks dating back to 2001. The reconciliation should agree with the payroll clearing cash account in Fund 20, but there is a material difference.

There were five cash accounts that had no activity recorded throughout the year even though there was activity in the bank accounts.

There were poor internal controls over cash deposits. Forty police fines, forty six ad valorem receipts and four days of water receipts were tested and every transaction tested was deposited late. Most deposits throughout the year were made 5 days late to over a week late. In addition, there were numerous days where daily cash collections were over or short with no reconciliation of the differences. There is no procedure in place to reconcile police fines collected to information from the Clerk of Court.

Petty cash transactions are not posted to the general ledger. The balance of petty cash on the general ledger does not agree to the total of cash and receipts in the petty cash drawer.

The Town could not provide a listing of grants received for the current year including the information needed for the Schedule of Expenditures of Federal Awards.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Adequate and accurate financial statements were not being provided to the Town Council. The council only receives accounts payable check registers, which does not present all transactions posted to the general ledger.

Supporting documentation was not available for manual journal entries other than routine monthly cash receipts.

Auditors were provided listings for accounts receivable and accounts payable, but material payables and receivables still had to be recorded by audit adjustment. For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts. An audit adjustment was made to reverse the payables and receivables from the prior year.

From review of documentation from the IRS it appears that the payroll liabilities for the year were paid, but were not all posted to the general ledger. Due to unrecorded transactions and lack of documentation any outstanding payroll liability is unable to be determined.

There are no standard procedures for settling up of travel advances to employees.

The general ledger balances for the three inventory accounts did not agree with the physical counts performed.

Corrective action planned: The Clerk and the Accountant are developing procedures and policies for better internal controls also; we have purchased new software (Quickbooks). The new software is installed and we have begun entering data beginning with July, 2010.

All manual checks in the vault will be voided and new checks will be purchased with account numbers already existing on checks.

The Legislative Auditors have completed the Bank Reconciliation for year 2007-2008 and 2008-2009. The Accountant will pick-up with 2009-2010 and 2010-2011. She will make sure all journal entries and adjustment are made to the General Ledger.

All bank deposits are done daily by the Clerk since February 25, 2011. With Quickbooks we will be entering receipts in the software daily.

The File Clerk will review all current employees' files to be sure proper paperwork is filled out, signed and filed in each employee folder.

Person responsible for the corrective action:

Leslie Thompson, Mayor	Phone: (318) 259-2385
Town of Jonesboro	Fax: (318) 259-4177
128 Allen Avenue	
Jonesboro, LA 71251	

Anticipated completion date: Immediately.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Reference # and title: **10-F2** **Utility Collections/Public Works**

Entity-Wide or program /department specific: This finding is for the Water and Sewer Utility Fund.

Condition: Deposits should be traceable from the point of receipt to posting to the customer's account in the billing system. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely. Cutoff fees should be charged on accounts in arrears and adjustments to customer accounts should be properly approved and documented.

The accounts receivable sub-ledger should be reconciled to the general ledger monthly. The utility deposits sub ledger should be reconciled to the general ledger monthly.

While testing 4 days of utility cash receipts (495 individual payments) in the Water and Sewer Utility Fund, it was noted that deposits for all four days were not made timely. There were 2 exceptions where the amount was not properly posted to the customer's account. There were 7 exceptions where the customer was not disconnected after the cutoff date.

In testing 25 accounts that were on the cutoff list for April 2010, 17 had not been charged the reconnect fee.

In testing of adjustments given to customers on their utility bills, five of the twenty five tested did not have written approval of the adjustment.

The utility receivable sub ledger balance at June 30, 2010 was materially different from the general ledger balance at June 30, 2010. There is no reconciliation of this difference. In addition, 70% of the balances were over ninety days old per the aging report.

Sewer charges for the months of February through June 2010 were approximately half of the prior months. It appears that some change was made to the billing system to lower the sewer rates.

Corrective action planned: Cut-off fees are being charged to the customer's account. All adjustments/credits are approved by the Mayor and documented. Policies are being written and put in place.

The Sewer charge for the months of February, 2010 through June, 2010 was changed in the system by a previous employee. Due to this change the town lost funds.

The Head Cashier is verifying daily receipts for each cashier to reduce the possibility of employee theft and posting errors.

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Reference # and title: **10-F3** **Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and supervisor. I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by statements and adequate receipts.

The following exceptions were noted from a test of vendor disbursements:

From a random sample of 22 checks the following was noted:

- No documentation was provided for one check.
- Purchase orders for two of the checks could not be provided.
- Three of the checks were paid more than 30 days after the invoice date.

Also, 14 grant checks were selected for testing and eight of these checks were not recorded in the general ledger.

The following exceptions were noted from a test of 50 payroll disbursements:

- One instance of the payment not being from a computer generated check and was not recorded in the general ledger.
- Seven instances where the personnel file was missing proof of existence documentation. (I-9, social security, driver's license, etc.)
- Forty five instances where time records were not signed by the employee or the supervisor.
- Eight instance where time records were not available.
- Nine instances where the pay rate was incorrectly computed or the rate could not be computed.
- There are no salary schedules to support pay rates. The latest salary schedule that could be located was from 2005.

The following exceptions were noted in testing of four credit card accounts:

- The entire year was tested for the one of the credit cards and the November 2009, December 2009 and February 2010 statements and receipts could not be located.

Corrective action planned: The Accountant and the Clerk are making various forms for the Payroll Department.

We no longer have a Visa Credit Card. For travel hotel reservation purpose we use a Town Travel Debit Card that is kept in the vault with a check in/out log.

Person responsible for the corrective action:

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Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Anticipated completion date: Immediately.

Reference # and title: **10-F4** **Capital Asset Management**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Louisiana Revised Statute LSA-R.S.24:515 requires the Town to maintain a comprehensive listing of capital assets.

The Town does not have procedures in place where an employee maintains a complete listing of the Town's capital assets nor do they have procedures to ensure all additions and deletions are properly reflected and monitored. Auditors had to compile a listing for additions to capital assets due to the town not having any records for capital assets. There was no annual physical inventory taken as required for good internal controls nor are all assets properly tagged. Records for construction in progress were not maintained for the year. The Town could not complete a listing of construction projects they had, which ones were completed at 6/30/10 or how much was paid or owed on each project. There were files for the numerous projects, but there were several invoices missing from the files and nobody tracked the progress of any of the projects. Auditors had to complete the schedule for construction in progress and determine which construction projects the Town had.

Corrective action planned: The accountant is working on procedures to maintain a complete listing of the Town's capital assets.

Person responsible for the corrective action:

Leslie Thompson, Mayor	Phone: (318) 259-2385
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Anticipated completion date: Immediately.

Reference # and title: **10-F5** **Late Submission of Audit Report to Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

The Town did not have the audit completed and submitted to the Legislative Auditor by the six month deadline of December 31, 2010. The Town was originally granted an extension to March 31, 2011, but that extension was then revoked by the State.

Corrective action planned: A CPA Firm has been hired to oversee the Town Of Jonesboro financial records and make sure that the process is done in a timely manner.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Reference # and title: **10-F6** **Accounting for Third Party Collections**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: The Town collects payments for various bills for a third party, APS. The Town is to deposit the collections from each day's activity into the designated bank account. APS downloads the Town's collections each night from the system and draws the day's total collections from the bank account.

In testing of four months of collections it was found that the Town was not making timely deposits, therefore when APS would draw the collections from the bank account, the account would go to a negative balance. The Town was in turn being charged NSF fees. In January of 2010 there was a variance between the deposited amount and the daily report of the actual collections. This variance was due to an employee making a deposit of their own personal funds to bring the account out of a negative balance and to stop the NSF fees. Once this deposit was made the bank balance did go to zero from being negative. There were two other deposits noted in December 2009 and June 2010 that caused a variance between the deposits and the daily report. These belonged to other accounts, but were never transferred out to the proper accounts. There was also a deposit noted that was made in July 2010 just after year end that was made from an employee's personal funds.

A cash count of the APS drawers was performed while on location. The APS system was down and there were no collections for the day so each drawer should have only the \$150 start up money. One of the drawers had more than the \$150 because the drawer had last been used 14 days earlier and had not been counted down until the cash count was performed.

Corrective action planned: As of May 1, 2011 the Town of Jonesboro will no longer provide American Payment System (APS) to customers.

Person responsible for the corrective action:

Leslie Thompson, Mayor Phone: (318) 259-2385
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Anticipated completion date: May 1, 2011.

Reference # and title: **10-F7** **Local Government Budget Act**

Condition: R.S. 1306 provides that the budget should be adopted before the end of the prior fiscal year. Per R.S. 1311 the budget should be amended if total expenditures exceed total budgeted expenditures by 5% or more.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
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The budget for the fiscal year ended June 30, 2010 was adopted on December 2, 2009. The budget was not amended even though expenditures for the general fund exceeded the budget by more than 5%.

Corrective action planned: The local Government Budget Act was violated due to Council refusal to introduce the Budget in a timely manner. Going forward, the budget will be adopted before the end of the prior fiscal year according to law and amended if total expenditures exceed total budgeted expenditures by 5% or more.

Person responsible for the corrective action:

Leslie Thompson, Mayor Phone: (318) 259-2385
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Anticipated completion date: Immediately.

Reference # and title: **10-F8** **Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA #20.106, from federal agency, Federal Aviation Administration and the Community Development Block Grant (LCDBG) from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for federal award year 2010.

Condition: Effective internal controls should include vendor disbursements being properly recorded on the general ledger.

Several disbursements were not recorded in the general ledger and documentation could not be located for some disbursements.

Corrective action planned: Several disbursements from the Airport Account & LCDBG Account were not recorded in the general ledger causing the expenditures to be understated and creating variances in the reconciliation. Going forward, no more manual checks will be done. All checks will include original documentation and will be processed through the accounting system so that all transactions are recorded in the general ledger.

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Reference # and title: **10-F9** **Cash Management**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA #20.106, from federal agency, Federal Aviation Administration and the Community Development Block Grant (LCDBG) from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for federal award year 2010.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Condition: Funds are required to be expended in a timely manner once received.

For the Airport Improvement program, there were eight disbursements tested and six were not expended in a timely manner. For the LCDBG, there were four reimbursements tested out of eight that were done for the year. One of the four tested was not expended timely.

Corrective action planned: Funds in the Airport Account & LCDBG Account were not expended in a timely manner when received and the funds earned interest, which is not allowable. These accounts will be converted to a non-interest bearing accounts and the funds expended in a timely manner.

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Reference # and title: **10-F10** **Capital Outlay Accounting**

Entity-Wide or program /department specific: This finding relates to the Community Development Block Grant (LCDBG) from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana and the Airport Improvement program, CFDA #20.106, from federal agency, Federal Aviation Administration for federal award year 2010.

Condition: Proper accounting for capital outlay expenditures requires that only expenditures for capitalizable items be charged to the capital outlay general ledger accounts. An analysis of construction in progress should be maintained for each project.

In testing the two grants it was found that numerous transaction were recorded to capital outlay that should not have been. There were several repairs and maintenance expenses recorded as capital outlay. In addition there were transactions for capital outlay that never were recorded and had to be recorded by the auditors. A schedule of construction in progress was not maintained by the Town.

Corrective action planned: An analysis of construction in progress is not maintained for each project and transactions should be recorded properly as capital outlay or expenses. Going forward, a progress schedule will be maintained on a monthly basis on all construction projects. This allows the Town to instantly tell if a project is on schedule and it is an important part of the check and balance system of managing the project. When the project is complete, the costs will be moved to the proper capital asset account.

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2010

Reference # and title: **10-F11** **Procurement, Suspension and Debarment**

Entity-Wide or program /department specific: This finding relates to the Airport Improvement program, CFDA #20.106, from federal agency, Federal Aviation Administration for federal award year 2010.

Condition: Federal regulations require that entities receiving federal funds should determine that the entity is not purchasing items or services from any vendor or individual that is considered suspended or debarred by the Federal Government. Therefore, the entity should verify through the EPLS system, collect a certification from the vendor or add a clause in the contract with the vendor ensuring that the vendor is not suspended or debarred.

When testing the procurement, suspension and debarment compliance requirement, it was noted that the Town does not have procedures in place to verify that the vendors they are purchasing from are not suspended or debarred.

Corrective action planned: To determine if any vendor or individual is suspended or debarred by the Federal Government, the Town has implemented procedures to verify that vendors it is purchasing from are not suspended or debarred. These procedures consist of using the EPLS website to ascertain if any vendor is either suspended or debarred and keeping those verifications on file.

Person responsible for the corrective action:

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Anticipated completion date: Immediately.

Town of Jonesboro
Status of Prior Management Letter Item
June 30, 2010

09-M1

Sponsorship of Gospel Concert

Comment: The Town sponsored its first annual Gospel Concert on June 13, 2009. The Town attorney had discussed this sponsorship with the Mayor and the Town Clerk before the event took place and had called to their attention two possible problems with the Town being the sponsor. The first was that under Louisiana law the Town can only use its funds to advance purposes which the Town is permitted under law to devote its resources to. The second and in his opinion the more serious issue was that a complaint might be raised that the Town was using its funds or was otherwise promoting a religious point of view.

Several contracts were signed by the Mayor with certain singing groups to perform. To our knowledge, the Council had not authorized the Mayor to sign such contracts and could be violation of the Lawrason Act.

Management's response: As Mayor, I do not feel that a concert is a misuse of Town funds. I believe that the activity actually enhances the citizens' quality of life. The Aldermen approved the budget which appropriated funding for Entertainment and Attractions; therefore, I believe that I was justified to host it.